

Message Text

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62

ACTION EA-10

INFO OCT-01 ISO-00 L-02 EB-07 TRSE-00 CIAE-00 INR-07

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 0921

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E.O. 11652: NA

TAGS: EFIN, RP

SUBJECT: TAX TREATY NEGOTIATIONS

REF: STATE 040610

1. PHILIPPINE EFFORT TO NEGOTIATE TAX TREATY WITH U.S. IS PART OF LARGER PROGRAM OF NEGOTIATING TAX TREATIES WITH MAJOR COUNTRIES INVESTING IN THE PHILIPPINES. PHILIPPINE TAX PANEL HAS SCHEDULED NEGOTIATIONS WITH THE NETHERLANDS, UNITED KINGDOM, AND FRANCE DURING APRIL AND MAY OF THIS YEAR. APPARENT OBJECTIVE OF PROGRAM IS TO INCREASE PHILIPPINE TAX REVENUES FROM OPERATIONS IN PHILIPPINES OF FOREIGN HEADQUARTERED CORPORATIONS. THIS OBJECTIVE WOULD ENCOMPASS PROVISIONS SPARING PHILIPPINE ACTIVITIES OF SUCH CORPORATIONS FROM TAXES IN THEIR HOME COUNTRIES.

2. PHILIPPINE PANEL PREPARED FOR NEGOTIATIONS WITH U.S. IN WASHINGTON DURING DURING WEEK BEGINNINGIN MAY 19 OR IN PHILIPPINES DURING WEEK BEGINNING MAY 26. HEAD OF PHILIPPINE PANEL ALFREDO PIO DE RODA PICKED TO BE IN WASHINGTON FOR OTHER NEGOTIATIONS FOR TWO WEEK PERIOD BEGINNING MONDAY, MAR 3. HE MAY CONTACT TREASURY OR STATE REGARDING SCHEDULE OF NEGOTIATIONS DURING HIS U.S. VISIT.

3. PIO DE RODA INDICATED GOP WISHED RESOLVE TWO QUESTIONS PRIOR TO SCHEDULEING OF TAX TREATY NEGOTIATIONS. FIRST GOP

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BELIEVES TALKS SHOULD AIM AT NEGOTIATION OF NEW TREATY
RATHER THAN PROTOCOL TO AMEND TREATY PREVIOUSLY AGREED UPON.
SECOND, PIO DE RODA STATED GOP DID NOT BELIEVE TAX TREATY
CALLING FOR EXCLUSIVE TAXATION OF SHIPPING FIRMS BY COUNTRY
OF EFFECTIVE MANAGEMENT WOULD BE NEGOTIABLE ON PHILIPPINE
SIDE. HE SAID, HOWEVER, THAT PHILIPPINE 2.5 PERCENT TAX ON
GROSS INCOME OF SUCH ENTITIES WAS NEGOTIABLE.
SULLIVAN

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